



**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF NEW VIENNA
CLINTON COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Village of New Vienna
Clinton County
323 West Main Street
P.O. Box 323
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To the Village Council:

We have audited the financial statements of the Village of New Vienna, Clinton County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Village did not provide sufficient documentation supporting the water, sewer and trash fund receipts and disbursements as recorded in the Enterprise Fund and the Mayor's Court receipts as recorded in the Agency Fund. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts and disbursements recorded for the Enterprise Fund and the Agency Fund, or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. Water, sewer, and trash fund unclassified receipts and disbursements represent 100% of the Enterprise Fund type receipts and disbursements and unclassified Mayor's Court receipts represent 100% of receipts recorded in the Agency Fund.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the Village's Enterprise Funds and the Agency Fund, on which we express no opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2000, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of New Vienna
Clinton County
Independent Accountants' Report
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This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 21, 2000

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
Cash receipts:			
Unclassified Receipts	<u>\$92,983</u>	<u>\$101,035</u>	<u>\$194,018</u>
Total cash receipts	<u>92,983</u>	<u>101,035</u>	<u>194,018</u>
Cash disbursements:			
Unclassified Disbursements	<u>86,226</u>	<u>114,474</u>	<u>200,700</u>
Total disbursements	<u>86,226</u>	<u>114,474</u>	<u>200,700</u>
Total receipts over/(under) disbursements	6,757	(13,439)	(6,682)
Fund cash balances, January 1	<u>188,000</u>	<u>25,334</u>	<u>213,334</u>
Fund cash balances, December 31	<u>\$194,757</u>	<u>\$11,895</u>	<u>\$206,652</u>
Reserves for encumbrances, December 31	<u>\$1,236</u>	<u>\$1,725</u>	<u>\$2,961</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND -
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Enterprise	Agency	Total (Memorandum Only)
Operating cash receipts:			
Unclassified receipts	\$408,495	\$4,322	\$412,817
Total operating cash receipts	408,495	4,322	412,817
Operating cash disbursements:			
Unclassified disbursements	387,291	0	387,291
Total operating cash disbursements	387,291	0	387,291
Fund cash balances, January 1	171,796	150	171,946
Fund cash balances, December 31	\$193,000	\$4,472	\$197,472
Reserve for encumbrances, December 31	\$5,391	\$0	\$5,391

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 1998**

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
Cash receipts:				
Unclassified Receipts	\$97,151	\$84,827	\$314,136	\$496,114
Total cash receipts	97,151	84,827	314,136	496,114
Cash disbursements:				
Unclassified Disbursements	123,739	97,289	314,136	535,164
Total disbursements	123,739	97,289	314,136	535,164
Total receipts over/(under) disbursements	(26,588)	(12,462)	0	(39,050)
Fund cash balances, January 1	214,588	37,796	0	252,384
Fund cash balances, December 31	\$188,000	\$25,334	\$0	\$213,334
Reserves for encumbrances, December 31	\$150	\$927	\$0	\$1,077

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND -
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Enterprise</u>	<u>Agency</u>	<u>Total (Memorandum Only)</u>
Operating cash receipts:			
Unclassified receipts	<u>\$407,866</u>	<u>\$150</u>	<u>\$408,016</u>
Total operating cash receipts	<u>407,866</u>	<u>150</u>	<u>408,016</u>
Operating cash disbursements:			
Unclassified disbursements	<u>407,246</u>	<u>0</u>	<u>407,246</u>
Total operating cash disbursements	<u>407,246</u>	<u>0</u>	<u>407,246</u>
Net receipts over/(under) disbursements	620	150	770
Fund cash balances, January 1	<u>171,176</u>	<u>0</u>	<u>171,176</u>
Fund cash balances, December 31	<u>\$171,796</u>	<u>\$150</u>	<u>\$171,946</u>
Reserve for encumbrances, December 31	<u>\$4,047</u>	<u>\$0</u>	<u>\$0</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Vienna, Clinton County (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water, sewer and trash utilities. The Village operates a police department to provide security of persons and property.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The Village did not classify receipts and disbursements using the chart of accounts prescribed by Ohio Administrative Code, Sections 117-5-10 and 117-5-11. Cash receipts and disbursements in the accompanying financial statements are presented as unclassified.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Police Levy Fund - This fund receives tax money to provide security of persons and property.

COPS Universal Hiring Program Fund - This fund receives grant money to provide an additional full-time police officer position to the existing police force.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Ohio Public Work Commission Fund - The monies are being used to repair and upgrade the Village's water system.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Enterprise Debt Service Fund - This fund receives a portion of charges for services from residents to repay the debt issued with the construction of the water tower. See Note 5.

5. Fiduciary Funds (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Mayor's Court Agency Fund - The Village acts in an agency capacity and accounts for fines collected by the Mayor's Court and distributed to the Village and State agencies.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND DEPOSITS

The Village maintains a pool of deposits used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and deposits at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Mayor's Court Depository Account	\$ 4,472	\$ 150
Demand deposits	367,431	354,387
Certificates of deposit	<u>32,221</u>	<u>30,742</u>
Total deposits	<u>\$ 404,124</u>	<u>\$ 385,279</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 94,945	\$ 92,983	\$ (1,962)
Special Revenue	94,365	101,035	6,670
Enterprise	427,963	408,495	(19,468)
Total	\$ 617,273	\$ 602,513	\$ (14,760)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 65,788	\$ 87,462	\$ (21,674)
Special Revenue	92,200	116,199	(23,999)
Enterprise	434,411	392,682	41,729
Total	\$ 592,399	\$ 596,343	\$ (3,944)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 94,258	\$ 97,151	\$ 2,893
Special Revenue	100,409	84,827	(15,582)
Capital Projects	228,280	314,136	85,856
Enterprise	427,933	407,866	(20,067)
Total	\$ 850,880	\$ 903,980	\$ 53,100

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 308,846	\$ 123,889	\$ 184,957
Special Revenue	124,993	98,216	26,777
Capital Projects	228,280	314,136	(85,856)
Enterprise	452,239	411,293	40,946
Total	\$ 1,114,358	\$ 947,534	\$ 166,824

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Expenditures exceeded appropriation authority in the following funds:

- 1998 - Police Fund, Ohio Public Works Commission Fund, Water Fund and Sewer Improvement Fund
- 1999 - General Fund, Police Fund, COPS UHP Fund, Water Fund and Trash Fund

Estimated receipts exceeded actual receipts in the following funds:

- 1998 - COPS UHP Fund, Permissive Motor Vehicle License Fund, Ohio Public Works Commission Fund, Water Fund, Sewer Fund, Utility Deposit Fund and Trash Fund.
- 1999 - General Fund, Permissive Motor Vehicle License Tax Fund, Debt Service, Water and Trash Funds

Appropriations exceeded estimated resources in the following funds:

- 1999 - Fire Levy Fund and Sewer Improvement Fund

The Village did not properly encumber all of its expenditures as required by the Ohio Revised Code

The Village had negative fund balances in the following funds:

- 1998 - COPS UHP Program Fund and the Sewer Improvement Fund
- 1999 - Police Levy Fund, Sewer Improvement Fund, and Water Fund

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
First Mortgage Water Revenue Loan	\$ 341,000	5.00%
First Mortgage Sewer Revenue Loan	572,000	5.00%
Ohio Water Development Authority Sewer Improvement Loan	283,076	2.00%
Emergency Village Capital Improvement Special Account Loan	25,000	0.00%
Total	\$ 1,221,076	

Loan Debt - Long Term:

First Mortgage Water Revenue Loan

This loan was initiated in October 1984 with a loan of \$416,000 at 5% interest from Farmer's Home Administration (FmHA). This was a forty (40) year loan to be paid in annual payments of principal and interest. The loan agreement requires that a reserve fund be established equal to one (1) annual payment. This reserve fund was to be established at the rate of 1/10th of an annual payment per year for 10 years. The Village has not established this reserve fund, in violation of the loan agreement. Repayment of this debt was made through the Enterprise Water Debt Service Fund in annual payments of principal and interest. Final payment will be in the year 2024 if no early payments are made.

First Mortgage Sewer System Revenue Loan

This loan was initiated in October 1988 in the amount of \$638,000 at 5% interest for a term of forty (40) years. The loan was acquired for the purpose of constructing the wastewater treatment plan and sewer lines throughout the Village. Repayment of this debt was made through the Enterprise Sewer Debt Service Fund in annual payments of principal and interest. A reserve fund was to be established equal to one (1) annual payment. The Sewer Repair Fund was designated as the reserve fund and several repairs and capital expenditures have been made from this fund. The loan agreement requires the reserve fund to maintain a cash balance of \$9,000. At December 31, 1999, the balance in the Sewer Repair Fund was (\$4,713). Final payment will be in the year 2028 if no early payments are made.

Ohio Water Development Authority Sewer Improvement Loan

This loan was in addition to the loan with FmHA for sewer construction. This loan was established in June 1987 with interest payments due the first two (2) years and principal and interest payments for the next thirty eight (38) years. The loan was initiated in the amount of \$456,505 at 2% interest with semi-annual payments (January 1 and July 1). Loan repayments were made through the Enterprise Sewer Debt Service Fund.

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

5. DEBT (Continued)

EVCISA (Emergency Village Capital Improvement Special Account) Loan

This loan was awarded by the Ohio Environmental Protection Agency for direct engineering costs of the sewer construction project. This project started in August 1993 with the advancement of \$50,000. This loan is to be repaid at 0% interest over ten (10) years with the first payment made in 1995. Loan payments were made through the Enterprise Sewer Debt Service Fund.

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>Water Mortgage</u>	<u>Sewer Mortgage</u>	<u>O.W.D.A. Sewer</u>	<u>E.V.C.I.S.A.</u>	<u>Total All Debt</u>
2000	\$ 24,050	\$ 37,600	\$ 23,382	\$ 5,000	\$ 90,032
2001	23,700	38,150	23,383	5,000	90,233
2002	24,350	37,650	23,382	5,000	90,382
2003	23,950	38,150	23,382	5,000	90,482
2004-2006	<u>73,300</u>	<u>113,100</u>	<u>70,147</u>	<u>5,000</u>	<u>261,547</u>
Subsequent	435,650	830,800	163,676		1,430,126
Total	<u>\$ 605,000</u>	<u>\$ 1,095,450</u>	<u>\$ 327,352</u>	<u>\$ 25,000</u>	<u>\$ 2,052,802</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF) Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PFDPF contributed 10% of their wages to the PFDPF. The Village was required to contribute an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village was required to contribute an amount equal to 13.55% of participants' gross salaries. However, the Village was unable to determine if the required employer share for PFDPF and PERS had been paid through December 31, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

**VILLAGE OF NEW VIENNA
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

8. SUBSEQUENT EVENTS

On August 10, 2000, three council members and the clerk/treasurer resigned their position from the Village. Three council members have been appointed to fill the vacant seats on council.

The Village's water system is not functioning, therefore the Village has been purchasing water from Highland County Water.

The Village has not reconciled the Enterprise Fund.

9. MATERIAL NONCOMPLIANCE

The Village does not post receipts or disbursements by line item. The financial statements as presented in this report are unclassified. This presentation is a material departure from the presentation prescribed by the Audit of State in Sections 117-5-01 through 117-5-18 of the Ohio Administrative Code. Those sections of the Ohio Administrative Code require classifying receipts by source and disbursements by program.

The Village did not maintain records in accordance with O.R.C, Section 149.351. Records were lost or destroyed and not presented for audit.

The Mayor's Court was not properly maintained as required in ORC, Section 733.40. Records were not presented for audit.

The Village had deficit cash balances in COPS UHP Fund, Sewer Improvement Fund, Police Levy Fund, and Water Fund. A deficit cash balance indicates that money from another fund(s) has been used to pay the obligations of the aforementioned funds.

The Village's water fund is experiencing a deficit fund balance. This indicates that the Village is not collecting enough revenue to maintain the water system in accordance with ORC 743.18, and as required by the Sewer Revenue Loan bond agreement.

10. CONTINGENT LIABILITY

The Village may be in violation of the COPS Universal Hiring Program Grant (UHP) requirements. The Village received \$ 54,810 in grant funds from December, 1995 through 1999. The grant agreement required the Village to provide coverage for one additional full-time police officer, and the position must be retained for one full year after the end of the grant. If the Village is found to be in noncompliance with provisions of the grant they may be required to repay a portion or all of the UHP grant funds. The Department of Justice is currently investigating the Village for possible noncompliance issues.

Several claims and lawsuits are pending against the Village. Management intends to vigorously defend these cases. Presently, it is not possible to determine the resolution of these cases or amount of liability, if any. In management's opinion, any potential liability would not have a material effect on the financial statements.



STATE OF OHIO
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of New Vienna
Clinton County
323 West Main Street
P.O. Box 323
New Vienna, Ohio 45159

To the Village Council:

We have audited the financial statements of the Village of New Vienna, Clinton County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated December 21, 2000, upon which we expressed no opinion for lack of supporting documentation for Enterprise Fund receipts and disbursements and Mayor's Court receipts as recorded in the Agency Fund. Except for the items describe above, we conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-30414-001 through 1999-30414-014.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated December 21, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-30414-03, 1999-30414-04, 1999-30414-006, 1999-30414-009, 1999-30414-12, 1999-30414-013, 1999-30414-014, 1999-30414-015, 1999-30414-016, 1999-30414-017, 1999-30414-018, and 1999-30414-019.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe all of the reportable conditions described above are material weaknesses except for items 1999-30414-016 and 1999-30414-018. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated December 21, 2000.

This report is intended for the information and use of the management and Village Council and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 21, 2000

VILLAGE OF NEW VIENNA
CLINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 1999-30414-001

Finding for Recovery - Noncompliance

On July 26, 1999, Elizabeth Pirman was appointed as the New Vienna Village Clerk/Treasurer. Six checks were written from August 13, 1999 through December 30, 1999 in the total amount of \$2,625 for the Clerk/Treasurer's salary. The amount to which she was entitled for this period was \$2,286.99. As a result, an overpayment in the amount of \$338.01 was made. It was also noted that the last check received in December 30, 1999 was voided in the cash journal and was not included on the W-2, however the check cleared the bank on January 4, 2000.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery is hereby issued against Elizabeth Pirman, former Village Clerk/Treasurer, in the amount of three hundred thirty eight dollars and one cent (\$338.01), and in favor of the Village's General Fund.

FINDING NUMBER 1999-30414-002

Finding For Adjustment - Noncompliance

Ohio Rev. Code, Section 5705.09, states that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Ohio Rev. Code, Section 5705.10, states that money that is paid into a fund must be used only for the purposes for which such fund has been established. The Village did not expend monies in accordance with the particular purpose of each fund. The Village agreed with all adjustments listed and adjustments will be made to the Village's books. The following table show the effect on fund balances in 2000 the findings for adjustment.

Explanations FFA	General	Street-Special Revenue	State Highway-Special Revenue	COPS UHP-Special Revenue	Police Levy-Special Revenue	Water	Sewer
1998 PP Tax misposted	\$77.60				(\$77.60)		
1998 MVL Tax Fees misposted	(568.16)	\$528.39	\$39.77				
1999 MVL Tax Fees misposted	(636.88)	512.69	124.19				
1999 Gas Tax misposted	(704.13)	651.32	52.81				
Check # 2377 & 2378 recorded as void on Dec 99 reconciliation, cleared bank Jan.00	(359.23)	(49.82)		(\$851.15)			
Correction to beginning 2000 fund balances	368.36			(61.54)	(89.97)	(\$262.14)	\$45.29
Payroll for police officer was paid from the Police Levy Fund instead of the COPS				(596.92)	596.92		
Total Effect on December 31, 1999 Fund Balance	(\$1,822.44)	\$1,642.58	\$216.77	(\$1,509.61)	\$429.35	(\$262.14)	\$45.29

FINDING NUMBER 1999-30414-003

Destruction of Records - Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 149.351, provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code.

The Village did not provide adequate utility receipt records. As a result, we were unable to audit the utility receipts or to perform alternative auditing procedures to ensure accountability over utility receipts. The Village could not provide all minutes, ordinances, or resolutions for the audit period in written form. Village officials did not provide adequate supporting documentation for the Mayor's Court. Only bank statements from March through November 1998 and August, September and October 1999 bank statements were presented for the audit. All duplicate deposit tickets, outstanding list of fines and forfeitures, and tickets for the audit period were missing, lost, or destroyed. At the conclusion of the audit, additional records for 1998 were found in a box and presented for audit.

**FINDING NUMBER 1999-30414-003
(Continued)**

The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

FINDING NUMBER 1999-30414-004

Mayor's Court Fines - Noncompliance/Material Weakness

Ohio Rev. Code, Section 733.4, requires the Mayor to pay fines, costs, and other revenues to the Village Treasurer by the first Monday of the following month.

During the period January 1, 1998 through September 30, 1998, Mayor, Richard Brown, maintained a Mayor's Court cash journal and court docket. Funds were disbursed at the end of each month to the appropriate agency and monthly reports were provided to Village Council. During this period \$4,965 of fines and court costs were collected and recorded. Mayor, Richard Brown resigned effective October 1, 1998.

Mr. Tim Bentz was appointed to fill the vacant Mayor position on November 16, 1998. The Mayor's Court continued to operate until June 1999 when it was suspended by Council. During the period October 1, 1998 through May 31, 1999:

- Mayor Bentz did not maintain a Mayor's Court cash book or court docket.
- Numerous records, including but not limited to, bank statements, duplicate deposit tickets, traffic tickets/citations, and the list of outstanding fines and forfeitures supporting Mayor's Court activity for this period have either been misplaced or were destroyed.
- Mayor Bentz submitted no Mayor's Court financial reports to Council; and
- No fines and/or court costs were disbursed to the appropriate agencies.
- No monies were deposited for the Mayor's Court during August, September, November and December 1999. A review of individual case files indicated that at least \$170 was collected during those months, however no money was deposited to the Mayor's Court bank account during those months. A total deposit of \$365 was made on January 25, 2000, to the Mayor's Court Account, however we could not determine if this represented the above money collected as records (duplicate receipts, tickets, case files) were either missing, misplaced or destroyed.
- As of December 31, 1999, the bank balance in the Mayor's Court bank account was \$4,472. Due to missing records, we were unable to determine what portion of this amount should be remitted to outside agencies. We recommend the Village consult with their legal counsel to determine how they should distribute this \$4,472.

If Village Council chooses to reactivate the Mayor's Court, we recommend the following:

- The Mayor and Mayor's Court Clerk (if one is appointed) should review the requirements of the Ohio Revised Code which are applicable to Mayor's Courts, as well as, the Mayor's Court Accounting Manual issued by the Auditor of State's Office to obtain an understanding of a) the legal requirements; b) the documents required to be maintained; and c) how transactions should be recorded.

**FINDING NUMBER 1999-30414-004
(Continued)**

- The cashbook should be completed for all monies received by the Mayor's court.
- All case information should be recorded on the duplicate receipts, in the docket and in the cashbook.
- An open items list should be maintained.
- Deposits should be made within three days of receipt.
- A statement of receipts for the Mayor's Court should be prepared and submitted to Council each month. This statement should be submitted to Council prior to the regular Council meetings so that Council has an opportunity to review the information and ask informed questions.
- Distributions of fines and costs should occur on a monthly basis.
- Bank reconciliations should be performed on a monthly basis. These reconciliations should be submitted to Council prior to the regular Council meetings so that Council has an opportunity to review the information and ask informed questions.

FINDING NUMBER 1999-30414-005

Negative Fund Balance - Material Noncompliance

Ohio Rev. Code, Section 5705.10, provides that money paid into any fund shall be used only for purposes for which such fund is established.

As of December 31, 1998, the Village had a deficit cash balance of \$6,837 in the COPS UHP Fund and a deficit cash balance of \$4,713 in the Sewer Improvement Fund. As of December 31, 1999, the Village had a deficit cash balance of \$5,693 in the Water Fund, \$18,082 in the Police Levy Fund, and \$4,713 in the Sewer Improvement Fund. A deficit cash balance indicates that money from another fund(s) has been used to pay the obligations of the aforementioned funds.

FINDING NUMBER 1999-30414-006

Certification of Available Resources - Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 5705.41 (D), states that: No subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same... has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council, if such expenditure is otherwise valid.

**FINDING NUMBER 1999-30414-006
(Continued)**

None of the Village's expenditures were certified or encumbered prior to incurring the obligation. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds resulted in overspending of Village funds. This citation is repeated from the previous audit.

FINDING NUMBER 1999-30414-007

Appropriations Exceeded Estimated Revenue - Noncompliance

Ohio Rev. Code, Section 5705.39, states that the total appropriations from each fund should not exceed the total estimated revenue. During 1999, the Village had appropriations that exceeded the total estimated revenue in the Fire Levy Fund by \$8,058 and the Sewer Improvement Fund by \$2,713. Council should review the amounts certified by the Budget Commission before making appropriations.

FINDING NUMBER 1999-30414-008

Cops Universal Hiring Program Grant - Material Noncompliance

42 U.S.C. 3796dd-3 states that funds made available to units of local government shall not be used to supplant local funds, but shall be used to increase the amount of funds that would, in the absence of Federal funds received, be made available from local sources.

The Village may be in violation of the nonsupplanting requirement of the COPS statute. The Village has been implementing the COPS Universal Hiring Program grant while maintaining a full-time vacancy in its locally-funded sworn personnel. The Village filled its COPS Universal Hiring Program full-time sworn officer position with a part-time officer who was employed by the Village prior to the COPS grant award, without filling the resulting part-time vacancies with a newly hired part-time officer. These facts all indicate that the Village is in violation of the nonsupplanting requirement and may be required to repay COPS grant funds if it cannot demonstrate that it has taken active and timely steps to fill all locally-funded vacancies while implementing the COPS grant program. The Village received \$ 28,656 and \$7,623 during 1999 and 1998, respectively.

FINDING NUMBER 1999-30414-009

Expenditures Exceeding Appropriations - Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. In apparent violation of this section, expenditures exceeded appropriations in the following funds:

- 1998 - Police Fund, Water Fund, Sewer Improvement Fund
- 1999 - General Fund, Police Fund, COPS UHP Fund, Water Fund and Trash Fund

During 1998, Police Fund expenditures exceeded appropriations by \$9,208; Water Fund expenditures exceeded appropriations by \$23,846; OPWC Fund expenditures exceed appropriations by \$85,856; and Sewer Improvement Fund expenditures exceeded appropriations by \$17,105.

During 1999, General Fund expenditures exceeded appropriations by \$21,524; Police Fund expenditures exceeded appropriations by \$28,117; COPS UHP Fund expenditures exceeded appropriations by \$8,450; Water Fund expenditures exceeded appropriations by \$27,428; and Trash Fund expenditures exceeded appropriations by \$4,383. Failure to limit expenditures to the amount appropriated could result in expenditure commitments exceeding resources available. Council should implement the use of purchase

FINDING NUMBER 1999-30414-009
(Continued)

orders and the encumbrance method of accounting to assure that funds are available to pay for all purchase commitments. This citation is repeated from the previous audit.

FINDING NUMBER 1999-30414-010

Annual Financial Report - Noncompliance

Ohio Rev. Code, Section 117.38, requires each taxing district to submit a financial report made in accordance with forms prescribed by the Auditor of State. This report shall be certified by the proper offices or boards and filed with the State within sixty days after the close of the fiscal year. At the time of filing, the chief fiscal officer shall publish such report in a newspaper of general circulation in the political subdivision or taxing district. The Village did not submit a financial report to the Auditor of State. The Auditor of State's Local Government Services prepared the 1999 annual financial statement and the Auditor of State prepared the 1998 annual financial statements.

This Section also provides for a penalty to be assessed against any public office that does not file its financial report. This penalty shall be \$25 for each day the report remains unfiled after the filing date, provided that the penalty payments shall not exceed the sum of \$750.

FINDING NUMBER 1999-30414-011

Debt Service Reserve Fund - Material - Noncompliance

Ohio Admin. Code, Section 117-5-03, establishes the fund code for debt service reserve funds. The First Mortgage Water Revenue Loan and the First Mortgage Sewer System Revenue Loan with Farmer's Home Administration require that a reserve fund be established and maintained for each issue. Farmer's Home Administration requires that deposits be made into the reserve fund at the minimum amount of 1/10th of the annual installment of 10 years or until a full payment has been accumulated in the reserve fund. The Village failed to establish and maintain a Water Debt Reserve Fund and a Sewer Debt Reserve Fund. This citation is repeated from the previous audit.

FINDING NUMBER 1999-30414-012

Recording of Proceedings - Material Noncompliance/Material Weakness

Pursuant to White v. Clinton County. Board. of Commissioners., 76 Ohio St.3d 416 (1996), Ohio Rev. Code, Sections 121.22, 149.43 and 733.27, when read together impose a duty on the Village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection. State, ex rel. The Fairfield Leader v. Ricketts, 56 Ohio St.3d 97 (1990). The Village did not document a full an accurate record of their proceedings. Minutes were recorded on tape and were not transcribed for all meetings, therefore the Council could not attest to their accuracy of the proceedings.

FINDING NUMBER 1999-30414-013

Maintaining of Village Books - Material Noncompliance/Material Weaknesses

The Village did not follow these Ohio Administrative Code Sections:

- A. Rule 117-5-07 establishes guidelines for the proper coding and classification of Village receipts. The Village did not always properly code and classify receipts.

FINDING NUMBER 1999-30414-013
(Continued)

- B. Section 117-5-09 requires that a village record each expenditure of village money and each receipt of village money in a cash journal. It also provides that the total of all fund balances in the cash journal must reconcile with the cash balance. The cash balance plus outstanding warrants must agree with the depository balance plus undeposited funds in the hands of the clerk or in transit to the depository. The Village did not maintain a cash journal during 1998 and 1999.
- C. Section 117-5-10 requires that a village post to each receipts account the estimated amount of money to be received into the account as specified by the County Budget Commission. It also provides that receipts shall be entered in the "Amount Received" column and in the "Credit" column and subtracted from the budget estimate amount ("Balance"). The Village did not maintain a complete receipt ledger during 1998 and 1999.
- D. Section 117-5-11 requires the Village to maintain an appropriation ledger in a complete and accurate form as prescribed. The Village did not maintain a complete, accurate and reliable appropriation ledger during 1998 and 1999.
- E. Section 117-5-13, provides that each village use purchase orders, as prescribed, for all expenditures. The Village did not use purchase orders.

Local Government Services (LGS) was contracted to reconstruct the Village's cash journal. Additional cost was incurred by the Village to reconstruct Village records. To determine the accuracy of Village ledgers and to ensure the Village is in compliance with the Ohio Administrative Code, periodic reviews should be performed by Village officials. Documents reviewed should be initialed by the reviewer indicating approval. Failure to properly monitor Village activity resulted in overspending funds, negative fund balances, and unauthorized expenditures.

FINDING NUMBER 1999-30414-014

Water Revenue - Noncompliance/Material Weakness

Section 743.18, Revised Code, states that the amount to be paid for such water supply shall be raised by the municipal corporation purchasing it, in the manner provided for the payment of the expense of conducting and managing water works constructed wholly by a municipal corporation. The Village has experienced mechanical failure and is unable to produce a potable water supply to the residents of the Village. Currently the Village is purchasing water from Highland Water District to supply water to the Village residents. This situation has caused the Village to pay for an outside source of water. The Village does not charge or collect enough revenue to offset the additional cost of supplying water to the Village residents, as of October 1, 2000, \$50,000 had been transferred from the General Fund to the Water Fund to cover the cost of the water. The officials must review the cost of maintaining and supplying water to the residents and establish rates based on the cost of maintaining the water system.

FINDING NUMBER 1999-30414-015

Utility Receipts - Material Weakness

The Village's utility department did not maintain copies of the following records:

Adjustment Reports for January through July in 1998, and October through December 1999;
Delinquent Account Reports for all of 1998 except for the months of September and December, and May, July, September, November and December 1999; November and December 1999
Billing Register; January, February and March 1998 Monthly Deposit Reports.

FINDING NUMBER 1999-30414-015
(Continued)

- Tap-in fee payments were posted in the cash journal as part of the regular utility payments.
- Pages were removed from the pre-numbered duplicate receipt books which were used in the utility department. Duplicate receipt books were not used on a consistent basis. A pre-numbered duplicate receipt would be provided only when requested.
- During the audit period, utility stubs were not stamped "PAID", dated, or initialed by the Clerk as paid.
- Daily receipts and deposits were not reconciled to the computerized payment register.
- Payment Registers and Billing Registers were not always printed or were missing. These reports are need to reconcile the utility billings to the amount collected, adjustments and amount outstanding at the end of each month.

To strengthen the Village's internal control structure within its utility department and reduce the likelihood of undetected errors, we recommend Village officials and management implement the following controls:

- Subsidiary ledgers should be maintained for each month to help reconcile the amount billed to the amount collected, adjusted and amount delinquent at the end of each billing cycle. The Board of Public Affairs should reconcile the Billing Register to the Payment Register to determine that the utility accounts are in balance. The billing ledger provides the customer's name, usage, amount billed, date paid, the amount of receipts collected and the amount outstanding for each customer's account;
- All entries should be posted in chronological order, reflect a month-to-date and year-to-date totals;
- The subsidiary ledger should be reconciled with deposits on a daily or monthly basis.
- Tap-in fees and payments should be recorded in a separate book noting all pertinent information. This allows the Village quick access to information concerning who has paid for, and should receive, tap-in services.
- No pages should be removed from the duplicate receipt books. All voided receipts should be marked "VOID" and should remain intact within the book.
- Utility stubs which accompany customer payments should be marked "PAID", dated, and initialed by the Clerk receiving the payment.
- At the end of each day, all "PAID" utility stubs should be sorted into batch totals and reconciled to the duplicate receipts and the computerized payment register.
- The Village should contact the utility software vendor to determine when updates to the utility system are required. These updates should be made to the computer system on a timely basis.
- The Village Clerk/Treasurer should reconcile the utility receipt records to the BPA Clerk's records to help assure accountability and strengthen internal accounting controls.

FINDING NUMBER 1999-30414-016

Utility Software System - Reportable Condition

The Village utility system is not secure due to having users on the system who are no longer employed. Passwords are used, however they are not changed. The lengths of the passwords are not established however, the chance of an outside source gaining access to the system is restricted, in that an active phone line must be plugged into the computer and the computer must be turned on. These weaknesses reduce the level of reliance on the security of the system. We recommend the Village take steps to secure the utility computer system. Former employees should be removed from the computer system, passwords should be changed periodically and the lengths of the passwords should be established by the Village.

FINDING NUMBER 1999-30414-017

Internal Control - Material Weakness

The Village had very few, if any, internal controls, record keeping was inaccurate and inconsistent, and there appeared to be little progress on the part of either the Village Council or management's part to develop appropriate administrative functions such as reviewing monthly financial records, reviewing minutes and reviewing bills. This may create an environment which promotes future fraud or misappropriation of funds.

The following weaknesses were noted:

- 7 Monthly financial reports were not presented to Council;
- 7 The minutes did not include a list of bills approved for payment;
- 7 Invoices contained no indication (e.g. , initials) that someone had performed a comparison between the items included on the invoices and the items received;
- 7 Vouchers were not maintained in numerical sequence;
- 7 Invoice amounts did not always match the amount of the corresponding check;
- 7 Invoices were not always attached to vouchers;
- 7 The Village's checks were only signed by the Village Clerk;
- 7 The minutes did not include all significant actions taken by Council;
- 7 The Village's books were not being reconciled monthly with the bank statement;
- 7 Late payment fees totaling \$735 were paid on several bills.

The lack of timely financial reports and accurate fund balances significantly reduces Council's ability to monitor Village's financial position. In addition, the lack of control over invoices and goods/services received resulted in unauthorized payments, over/underpayments or duplicate payments, and unaccounted for checks.

To strengthen the Village's internal control structure and reduce the likelihood of undetected errors, we recommend Village officials and management implement the following controls:

- 7 Monthly financial reports be prepared and submitted to Council. This submission should occur prior to the regular Council meetings so that Council members have an opportunity to review the information and ask informed questions at the Council meetings. Discussion of the monthly financial reports should be documented in the minutes;
- 7 The Clerk should prepare an accurate and reliable monthly reconciliation so that all financial transactions are reflected and errors and irregularities may be detected in a timely manner. These reconciliations should be included within the financial information that is submitted to Council each month;
- 7 A list of bills to be approved for payment should be included within the monthly financial information submitted to Council;

FINDING NUMBER 1999-30414-017
(Continued)

- When invoices are received, a comparison should be made between the goods/services included on the invoice and the goods/services received. The official/department head which received the goods should perform this comparison and indicate his/her review by initializing the invoice. The initials indicate the goods/services were received and the invoice is approved for payment;
- Once invoices have been approved for payment, the Clerk/Treasurer should issue the corresponding check and stamp the invoice "Paid." The invoice should be filed with the voucher packet; and
- Village checks should be signed by the Clerk/Treasurer and one Council member. Prior to signing the checks, the Council member should agree the vendor name and amount on the check to the invoice.
- Vouchers packets should be maintained in numerical sequence;
- Council should ensure that bills be paid on a timely basis to avoid late charges;
- Minutes of Council meetings should be prepared, approved, and available for public inspection in a timely manner. The minutes should also include all actions taken by Council during those meetings.

Nine new employees were hired on a full-time basis during the audit period. Of these nine employees, only six were included within the minute record as being approved by Council with an established pay rate. Although not initially approved by Council and documented within the minute record, we noted that Council did approve the payroll checks which were paid to the three employees whose hiring was not approved by Council. We also reviewed the pay rates of these three employees and noted that they were each paid comparable to other employees in the same position.

To eliminate confusion regarding Council's approval of employees, employee hire dates, employee pay rates, employee termination dates, and employee resignations, we recommend Council approve the hiring, terminations, and resignations of all Village employees. In addition, when approving an individual's employment, Council should also approve the individual's pay rate. This information should be recorded within the minute record.

FINDING NUMBER 1999-30414-018

Payroll Records - Reportable Condition

The Village did not maintain a payroll journal for each pay period summarizing all time sheet and other payroll information. The payroll journal should reflect the following information for each employee: a) employee name; b) payroll exemptions; c) regular hours worked; d) overtime hours worked; e) leave hours used; f) hourly rate; g) gross wages; h) all payroll deductions; and i) net pay. For each pay period, the columns and rows of the payroll journal should be footed and cross-footed. Each employee's gross pay should equal the sum of their respective net pay plus their deductions. The payroll amounts reflected in the cash journal should then be carried forward to the Village's cash journal and appropriation ledger.

The Village did not maintain leave records for each employee showing hours earned, hours used and leave balances. Contracts, adequate leave records and ordinances establishing sick/vacation leave usage were not maintained by the Village and were not presented for audit. On October 2, 1995, the Village approved the "Wage Guideline Document A " which established wages and benefits for full-time employees. This guideline states that an employee shall receive one week of vacation after one

FINDING NUMBER 1999-30414-018

full year of employment. Employee will receive two weeks of vacation after third year of employment. It also states, in part, that an employee shall receive five (5) sick days per year, and shall be accumulative to ten (10) days. Any days over ten (10) unused will be compensated for at the end of the year. If an employee has any days remaining at the end of employment, they shall be compensated for them. On December 31, 1998, Keith Collins, former Village Administrator, was compensated \$11,769.10 for unpaid vacation and sick leave. Resolution 98-18 approved payment of the unpaid leave by the Village officials. In October 1998, the Village compensated the former police chief, Diana Peck \$1,893.81 in unpaid vacation and sick leave. These employees left the employment of the Village and the Village officials approved compensation for their unused balances, however we could not determine the accuracy of their compensation given the fact that individual payroll records are not maintained.

The lack of individual payroll records and a payroll journal could lead to employees being improperly compensated, improper taxes withheld, and improper reporting of wages and withholdings on quarterly payroll reporting and annual filing of W-2 and 1099 forms.

We recommend the Village maintain a payroll journal and individual payroll records. Specific guidance and examples of these documents can be found in the Auditor of State's "Payroll Procedures Manual," a copy of which can be obtained by contacting the Graphics Department of the Auditor of State's Office.

FINDING NUMBER 1999-30414-019

Disbursements Posting - Material Weakness

During disbursement testing we noted various expenditures that were posted to only one fund. The nature of the expenditure indicated that some of these expenditures should have been distributed to additional funds. Lack of adequate supporting documentation increases the likelihood that expenditures could be posted to the wrong fund which may have resulted in incorrect fund balances. It was impractical to determine the validity of these expenditures without adequate supporting documentation.



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VILLAGE OF NEW VIENNA

CLINTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 09, 2001**